

REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS AUDIT EXAMINATION OF THE FAYETTE COUNTY SHERIFF

Calendar Year 2000

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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE FAYETTE COUNTY SHERIFF

Calendar Year 2000

The Auditor of Public Accounts has completed the Fayette County Sheriff's audit for calendar year 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Gross receipts increased by \$354,486 from the prior year and total disbursements increased by \$751,830. This resulted in a decrease in fund balance of \$186,693.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR. AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Pam Miller, Mayor
Honorable Sandra Varellas, County Judge/Executive
Honorable Kathy H. Witt, Fayette County Sheriff
Members of the Lexington-Fayette Urban County Government Council

Independent Auditor's Report

We have audited the accompanying statement of receipts and disbursements of the Sheriff of Fayette County, Kentucky, and the statement of receipts, disbursements, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2000. These financial statements are the responsibility of the Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, <u>Government Auditing Standards</u> issued by the Comptroller General of the United States, and the <u>Audit Guide for County Fee Officials</u> issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff prepares the financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statements are not intended to present results of operations in conformity with generally accepted accounting principles.

In our opinion the accompanying financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the Sheriff and the receipts, disbursements, and fund balances of the Sheriff's operating fund and county fund with the State Treasurer for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky
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In accordance with <u>Government Auditing Standards</u>, we have also issued a report dated August 3, 2001, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A–133, <u>Audits of States</u>, <u>Local Governments</u>, <u>and Non-Profit Organizations</u>, and is not a required part of the financial statements. Such information has been subjected to auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,

Edward B. Hatchett, Jr. Auditor of Public Accounts

Audit fieldwork completed -August 3, 2001

FAYETTE COUNTY KATHY H. WITT, SHERIFF STATEMENT OF RECEIPTS AND DISBURSEMENTS

Calendar Year 2000

Receipts

Federal Grants State Grants State Fees for Services Circuit Court Clerk Lexington-Fayette Urban County Government County Clerk Commission on Taxes		\$ 300,274 163,769 374,786 227,156 58,428 14,777 2,286,179
Fees Collected for Services: Auto Inspections Serving Papers Carrying Concealed Deadly Weapon Permits Executions	\$ 103,510 88,012 82,950 188	274,660
Other Receipts: Sale of Equipment Tax Commission Add-on Fees Bank Shares Jury Meals Interest Earned	\$ 11,448 429,390 66,800 9,475 138,340	655,453
Gross Receipts		\$ 4,355,482
<u>Disbursements</u>		
Payments to State: Concealed Weapon License Fees State Bond Premium Juror's Meals	\$ 55,705 10,358 9,475	75,538
Net Receipts		\$ 4,279,944
Payments to State Treasurer: 75% Operating Fund 25% County Fund	\$ 3,606,279 673,665	4,279,944
Balance Due at Completion of Audit		\$ 0

The accompanying notes are an integral part of the financial statements.

FAYETTE COUNTY KATHY H. WITT, SHERIFF

STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER

Calendar Year 2000

	75% Operating Fund		25% County Fund		Totals	
Fund Balance - January 1, 2000	\$	429,416	\$		\$	429,416
Receipts						
Fees Paid to State - Operating Funds (75%) Fees Paid to State - County Funds (25%)		3,606,279		673,665		3,606,279 673,665
Total Funds Available	\$	4,035,695	\$	673,665	\$	4,709,360
<u>Disbursements</u>						
Lexington-Fayette Urban County Government Personnel Services-	\$	74.114		673,665	\$	673,665
Officials Statutory Maximum		74,114				74,114
Deputies Salaries Overtime		1,818,470				1,818,470
		58,696				58,696
Employee Benefits- Social Security		145,867				145,867
Retirement		246,251				246,251
Health Insurance		148,598				148,598
Unemployment Insurance		(667)				(667)
Auto Expenses on Personal Vehicles-		(007)				(007)
Insurance		39,260				39,260
Maintenance and Repairs		27,482				27,482
Taxes and Licenses		200				200
Gas and Oil		54,357				54,357
Computer		55,852				55,852
Equipment Leases		10,482				10,482
Supplies - Other		5,351				5,351
Insurance		52,734				52,734
Equipment Maintenance and Repairs		33,270				33,270
Building Maintenance and Repairs		3,407				3,407
Office Supplies		29,440				29,440

FAYETTE COUNTY KATHY H. WITT, SHERIFF STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND BALANCES OF THE SHERIFF'S OPERATING FUND AND COUNTY FUND WITH THE STATE TREASURER Calendar Year 2000 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Disbursements</u> (Continued)			
Medical Exams	\$ 3,066	\$	\$ 3,066
Dues and Subscriptions	1,904		1,904
Reference Books	1,589		1,589
Association Dues	3,300		3,300
Postage	9,859		9,859
Radio Tower	13,144		13,144
Training	24,830		24,830
Telephone	39,228		39,228
On-line Investigation	2,006		2,006
Pagers	2,238		2,238
Internet Services	2,075		2,075
Uniforms	36,332		36,332
Warehouse Storage	462		462
Fleet Services -			
Rent	9,520		9,520
Utilities	3,434		3,434
Maintenance and Repairs	969		969
Advertising	2,711		2,711
Legal	10,463		10,463
Accounting	37,295		37,295
Parking	14,219		14,219
Consulting	920		920
Travel	688		688
McGruff	4,135		4,135
Miscellaneous	2,291		2,291
Byrne	39,208		39,208
Community Oriented Policing Services	167,465		167,465
KLEFPF	163,769		163,769
Violence Against Women Act	110,703		110,703
Victims of Crime Act	77,966		77,966
Capital Outlay -			
Vehicles	167,307		167,307
Equipment	36,712		36,712
Total Disbursements	\$ 3,792,972	\$ 673,665	\$ 4,466,637
Fund Balance - December 31, 2000	\$ 242,723	\$ 0	\$ 242,723

The accompanying notes are an integral part of the financial statements

FAYETTE COUNTY KATHY H. WITT, COUNTY SHERIFF NOTES TO THE FINANCIAL STATEMENTS

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a Sheriff's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principals. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk or Sheriff to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

FAYETTE COUNTY KATHY H. WITT, COUNTY SHERIFF NOTES TO THE FINANCIAL STATEMENTS December 31, 2000 (Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employee Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The Sheriff met the requirements stated above, and as of December 31, 2000, deposits were fully collateralized at a 100% level with securities held by the county official's agent in the county official's name.

Note 4. Agreement with Lexington-Fayette Urban County Government

Effective July 1, 1999, the Sheriff of Fayette County entered into a "Purchase of Service Agreement" with the Lexington-Fayette Urban County Government. The parties agreed that the Lexington-Fayette Urban County Government Division of Tax Collection would collect all state, county, district, and school property taxes in Fayette County excluding motor vehicle taxes. In lieu of the commissions the Sheriff would normally have received for the collection of taxes, the Lexington-Fayette Urban County Government agreed to pay the Sheriff \$1,713,540 during the period of the agreement. The agreement ended June 30, 2000.

FAYETTE COUNTY KATHY H. WITT, COUNTY SHERIFF NOTES TO THE FINANCIAL STATEMENTS December 31, 2000 (Continued)

Note 4. Agreement with Lexington-Fayette Urban County Government (Continued)

The Sheriff entered into a "Revenue Collection Agreement" on July 1, 2000, with the Lexington-Fayette Urban County Government. This agreement allows the Division of Revenue, formerly known as the Division of Tax Collection, to collect all state, county, district, and school property taxes in Fayette County excluding motor vehicle taxes, as in the prior agreement. However, instead of a set amount of money being paid to the Sheriff, the Sheriff shall receive 1% of all school taxes collected, and 10% of the first \$5,000 collected on all other property taxes and 4.25% on any amount over the first \$5,000.

Pursuant to another written agreement between the Sheriff and the Lexington-Fayette Urban County Government, the Lexington-Fayette Urban County Government agreed to remit to the Sheriff all 25% funds received from the state relating to that portion of fees turned over by the Sheriff to the State Treasury. This agreement resulted in the Lexington-Fayette Urban County Government remitting \$58,428 to the Sheriff for the year ended December 31, 2000.

Note 5. Leases

The Sheriff is committed to the following lease agreement as of December 31, 2000: A verbal agreement with Starstone, LLC for real property at 340 and 346 South Broadway Park, Lexington, Kentucky. The agreement required a monthly payment of \$800. The rent amount is subject to an annual increase.

Note 6. Drug Forfeiture Account

The Sheriff maintains a drug forfeiture account, which is not part of the fee account. The drug forfeiture account funds may be used for investigations, training, and enforcement. The beginning balance in the drug forfeiture account was \$10,673. As of December 31, 2000, the balance in the drug forfeiture account was \$2,636.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the Fayette County Sheriff as of December 31, 2000, and have issued our report thereon dated August 3, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in <u>Government Auditing Standards</u> issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Fayette County Sheriff's financial statements as of December 31, 2000, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under <u>Government Auditing Standards</u>.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fayette County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of The Financial Statements Performed In Accordance With Government Auditing Standards (Continued)

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

Edward B. Hatchett, Jr. Auditor of Public Accounts

Audit fieldwork completed - August 3, 2001

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133



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Report On Compliance With Requirements Applicable To Each Major Program And Internal Control Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of the Sheriff of Fayette County Kentucky, with the types of compliance requirements described in the <u>U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement</u> that are applicable to each of its major federal programs for the year ended December 31, 2000. The Sheriff's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Fayette County Sheriff. Our responsibility is to express an opinion on the Sheriff's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States; and OMB Circular A-133, <u>Audits of States, Local Governments</u>, and <u>Non-Profit Organizations</u>. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Sheriff's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Sheriff's compliance with those requirements.

In our opinion, the Sheriff of Fayette County Kentucky, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2000.

Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133 (Continued)

Internal Control Over Compliance

The Sheriff of Fayette County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Sheriff's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

Edward B. Hatchett, Jr. Auditor of Public Accounts

Audit fieldwork completed - August 3, 2001

FAYETTE COUNTY KATHY H. WITT, COUNTY SHERIFF SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Calendar Year 2000

A. SUMMARY OF AUDIT RESULTS

- 1. The auditor's report expresses an unqualified opinion on the financial statement of the Sheriff of Fayette County.
- 2. No reportable conditions were reported relating to the audit of the financial statement.
- 3. No instances of noncompliance material to the financial statement of the Sheriff of Fayette County were disclosed during the audit.
- 4. No reportable conditions relating to the audit of the major federal award program were reported.
- 5. The auditor's report on compliance for the major federal award programs for the Sheriff of Fayette County expresses an unqualified opinion.
- 6. There are no audit findings relative to the major federal award program for the Sheriff of Fayette County Reported in this schedule.
- 7. The program tested as a major program was Violence Against Women Act, CFDA No. 16.588.
- 8. The threshold for distinguishing Type A and B programs was \$300,000.
- 9. The Fayette County Sheriff was determined to be a low-risk auditee.
- B. FINDINGS FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

	Questioned Costs
Violence Against Women Act CFDA No. 16.588	
1. Year ended December 31, 2000	None

FAYETTE COUNTY KATHY H. WITT, COUNTY SHERIFF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Calendar Year 2000

Federal Grantor Program Title Grant Name (CFDA #)	Pass-Through Grantor's Number	Exp	penditures
U.S. Department of Justice			
Office of Community Oriented Policing Services (#16.710)	N/A	\$	167,465
Passed-Through State Justice Cabinet:			
Fayette Urban County Government/ Byrne (#16.580)	N/A		39,208
Fayette Urban County Government/ Violence Against Women Act (#16.588)	6087-VA1-5/99		110,703
Victims of Crime Act (#16.575)	5843-VC1-3198		77,966
Total Cash Expenditures of Federal Awards		\$	395,342

FAYETTE COUNTY KATHY H. WITT, COUNTY SHERIFF NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Calendar Year 2000

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Sheriff of Fayette County and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.